



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 12, 2008

TO: Supervisor, Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **LOS ANGELES CONSERVATION CORPS – A DEPARTMENT OF  
PUBLIC SOCIAL SERVICES COMMUNITY SERVICES BLOCK GRANT  
PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Los Angeles Conservation Corps (Corps or Agency), a Department of Public Social Services (DPSS) Community Services Block Grant (CSBG) Program provider.

**Background**

DPSS contracts with Corps, a private non-profit organization, to provide and operate the CSBG Program. The CSBG Program promotes the principles of self-help and assists low-income families and individuals to become self-sufficient. The Agency provides employment training and education services for at-risk young adults and school-age youth. The services include job skills training, education and work experience with an emphasis on service projects that benefit the community. The Agency provided the services to the residents in the First and Second Districts.

The Agency is compensated on a cost reimbursement basis. The Agency's contract was \$44,626 for calendar year 2007.

### **Purpose/Methodology**

The purpose of the review was to determine whether the Agency complied with its contract terms and appropriately accounted for and spent CSBG funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of Agency staff.

### **Results of Review**

Corps provided the required program services, maintained appropriate documentation to support the participants' eligibility and appropriately recorded and deposited revenues. However, the Agency did not always comply with the County contract. Specifically, Corps:

- Did not adequately segregate their cash handling procedures.
- Allocated payroll expenditures based on budget not actual hours worked.
- Billed DPSS \$212 in unsupported or unallowable expenditures.

We have attached the details of our review along with recommendations for corrective action.

### **Review of Report**

We discussed our report with the Agency on January 22, 2008. In their attached response, Corps management stated that the questioned costs were allowable because the expenditures were for the subsequent contract year. However, the County contract does not allow the Agency to bill for the costs related to another contract period. We notified DPSS of the results of our review.

We thank Corps for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Philip L. Browning, Director, Department of Public Social Services  
Bruce Saito, Executive Director, Los Angeles Conservation Corps  
Public Information Office  
Audit Committee

**COMMUNITY SERVICES BLOCK GRANT PROGRAM  
LOS ANGELES CONSERVATION CORPS  
FISCAL YEAR 2007-2008**

**ELIGIBILITY**

**Objective**

Determine whether Los Angeles Conservation Corps (Corps or Agency) provided services to individuals that meet the eligibility requirements of the Community Services Block Grant (CSBG) Program.

**Verification**

We selected ten (29%) of the 35 program participants that received services during July and August 2007. We reviewed the case files for documentation to confirm the participants' eligibility for program services.

**Results**

The Agency maintained appropriate documentation to support the participants' eligibility to receive program services.

**Recommendation**

**There are no recommendations for this section.**

**BILLED SERVICES**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract. In addition, determine whether the program participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for ten program participants that received services in July and August 2007. The Agency billed \$7,438 for July and August 2007.

**Results**

The Agency provided the services as outlined in the County contract. The case files for all ten program participants contained documentation to support the services billed to the Department of Public Social Services (DPSS).

**Recommendation**

**There are no recommendations for this section.**

**CASH/REVENUES****Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's July 2007 bank reconciliation.

**Results**

The Agency appropriately recorded and deposited cash receipts timely to Corps' bank account. The Agency also performed monthly reconciliations. However, the Agency did not adequately segregate their cash handling procedures. The accountant reconciled the bank statements, recorded the cash in the Agency's accounting records and performed other bookkeeping functions.

**Recommendation**

- 1. Corps management ensure that there is segregation of duties over cash handling procedures.**

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether non-payroll program expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation for seven non-personnel expenditure transactions billed by the Agency during July and August 2007, totaling \$1,092.

**Results**

The Agency's expenditures were allowable, accurately billed and supported by documentation as required.

**Recommendation**

**There are no recommendations for this section.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether the Agency's fixed assets and equipment purchased with CSBG funds are used for the CSBG program and are safeguarded.

We did not perform test work in this section as the Agency did not use CSBG funds to purchase fixed assets or equipment.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll is appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

**Verification**

We reviewed payroll expenditures for three employees during July 2007 totaling \$3,173. We also interviewed staff and reviewed the personnel files of staff assigned to the program.

**Results**

The Agency maintained personnel files as required by the County contract. However, the Agency allocated the payroll expenditures for three employees who worked on multiple programs based on budget not actual hours worked.

**Recommendation**

2. Corps management ensure that employees' timecards indicate the total hours worked each day by program.

**COST ALLOCATION PLAN****Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the Contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Agency's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during July and August 2007 to ensure that the expenditures were properly allocated to the appropriate programs.

**Results**

The Agency's Cost Allocation Plan was prepared in compliance with the County contract and shared costs were appropriately allocated.

**Recommendation**

There are no recommendations for this section.

**CLOSE-OUT REVIEW****Objective**

Determine whether the Agency's final close-out invoice for calendar year 2006 reconciled to the Agency's financial records.

**Verification**

We traced the Agency's general ledger to the Agency's final close-out invoice. We also reviewed a sample of expenditures incurred in November and December 2006.

**Results**

The Agency's final close-out invoice reconciled to the Agency's general ledger. However, Corps overbilled DPSS \$212 in unsupported or unallowable expenditures. Specifically, Corps:

- Billed DPSS \$137 for services for the subsequent contract period.
- Billed DPSS \$54 in supplies purchased within the last two months of the contract period without obtaining prior written approval from DPSS as required.
- Billed DPSS \$21 in unsupported program expenditures. The Agency did not provide invoices or other documents to support the expenditures.

**Recommendations****Corps management:**

3. Repay DPSS \$212.
4. Maintain adequate supporting documentation to support the expenditures billed to the program.
5. Ensure that only the expenditures allowed in the County contract are billed to the program.



Administrative Offices  
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J. Tyler McCauley, Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 W. Temple St., Room 525  
Los Angeles, CA 90012-2706

Dear Mr. McCauley,

We are responding to the results of the review to determine whether LA Conservation Corps complied with its contract terms and appropriately accounted for and spent CSBG funds in providing the services outlined in our County contract. Specifically, we are responding to the items listed in the results of the review as non-compliant with the County contract. I have supplied a response to each of the three items below.

**Result 1:** The Corps did not adequately segregate their cash handling procedures.

**Recommendation 1:** Corps management should ensure that there is segregation of duties over cash handling procedures.

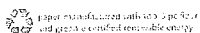
**Agency Response 1:** This issue stemmed from an Accountant who in the past occasionally prepared general journal entries affecting the cash account. If during his monthly reconciliation of the bank statement he found a bank error (i.e., the Corps issues a check for \$530 but the bank cashes it for \$580) he prepared a JE to adjust the cash account and recorded a receivable from the bank. The Accounting Manager then notified the bank of the error and a credit was recorded the following month.

**Corrective Action Plan 1:** The Accounting Associate is now responsible for recording cash and an Accountant is responsible for preparing the bank reconciliation. That Accountant reports any errors discovered during the bank reconciliation process directly to the Accounting Manager. A different Accountant from the one reporting the error then prepares the adjusting JE. We believe this adequately addresses the segregation of cash handling procedures issue.

**Result 2:** The Corps allocated payroll expenditures for three staff who worked on multiple programs based on budget not actual hours worked.

**Recommendation 2:** Corps management should ensure that employees' timecards indicate the total hours worked each day by program.

**Agency Response 2:** The Corps requires employees who are charged to multiple funding sources to complete an Activity Log along with their timesheets. The Activity Log notes the percentage of time each pay period that the employee is charged to the various contracts/grants that fund our work at the Corps.





**Corrective Action Plan 2:** Since our review by the Auditor-Controller when this issue was first raised, we've checked with our legal counsel and Board of Directors and requested and received an example of a time reporting template form from the County. With that information, we are preparing to pilot a new procedure that will allow us to record actual hours worked by project. After a period of testing this process, we will implement it Corps-wide. The new procedure will integrate the practices detailed in the Auditor-Controller Contract Accounting and Administration Handbook (3/06) which indicate (1) that "timecards or time reports must be prepared for each pay period. Time cards or time reports must indicate total hours worked each day by program and total hours charged to each of the (Corps) programs" and (2) that "the salary expense of salaried employees working on more than one Agreement or program shall be allocated to each program based on the ratio of the number of hours worked on each program during the pay period to the total number of hours worked during the pay period."

**Result 3:** The Corps billed DPSS \$212 in unsupported or unallowable expenditures.

**Recommendation 3:** Repay DPSS \$212.

**Result 3a:** \$191 in unallowable expenditures. The Agency billed \$137 for services for subsequent contract period and \$54 in supplies purchased within the last two months of contract period without obtaining a prior written approval from DPSS as required

**Recommendation 3a:** Ensure that only the expenditures allowed in the County contract are billed to the program.

**Agency Response 3a:** Seven bus passes were purchased in December 2007 for use in January 2008. A total of \$136.85 was charged to the CSBG Contract Amendment Number 3 Program Year 2006, which terminated on December 31, 2007. Our practice is to purchase the bus passes in the final weeks of the month before the passes will be used; this advanced purchase is required by the Metropolitan Transportation Authority. For this reason, we believe that this unallowable cost be removed.

Office supplies were purchased in December 2006. A total of \$53.56 was charged to the CSBG Contract Amendment Number 3 Program Year 2006. Additionally, we were notified in November 2006 that funding for this project would continue for the 2007 Program Year. This knowledge supported the decision to purchase program materials to benefit the CSBG participants.

**Corrective Action Plan 3a:** We are revising our policies and procedures and training staff on allowable and unallowable expenditures to ensure that expenditures charged to funding sources are supportable and that all contractual requirements regarding procurement are met.

We are now aware of the Standard Term and Condition (included as Section 1206(b) of Exhibit A of our County of LA Contract for Conduct and Administration of the CSBG which began on January 1, 2004) that indicated that we must complete all purchases of supplies before the last two (2) months of the contract period and are integrating this practice into our policies and procedures to ensure that in the future no such supplies are purchased near the end of the contract period.

**Result 3b:** \$21 in program expenditures. The Agency did not provide invoices or other documents to support the expenditures.

**Recommendation 3b:** Maintain adequate supporting documentation to support the expenditures billed to the program.

**Agency Response 3b:** Since we are unable to locate the supporting documentation for \$21.20 in bus pass expenditures, we are not disputing the repayment of this amount.

**Corrective Action Plan 3b:** We are revising our policies and procedures to ensure that supporting documentation is attached to all purchase requisitions or payment voucher before supportive services costs are charged to the designated funding source.

We appreciate the opportunity to respond to the review results and look forward to receiving a copy of the final report, which incorporates our responses. Please call me at 213/362-9000, ext. 257, or email me at [wbutts@lacorps.org](mailto:wbutts@lacorps.org) if you have any questions regarding the information presented above.

Sincerely,

  
Wendy Butts  
Contract Compliance Officer